

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 PM-04 OMB-01 EB-07 COME-00

TRSE-00 MC-02 ACDA-05 CIAE-00 INR-07 NSAE-00 SS-15

NSC-05 SP-02 L-03 PRS-01 SAJ-01 /076 W

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R 171229Z MAR 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7301

INFO SECDEF WASHDC

USMISSION NATO BRUSSELS

AMEMBASSY ATHENS

AMEMBASSY ANKARA

AMEMBASSY BRUSSELS

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

CINC EUR VAHINGEN

C O N F I D E N T I A L SECTION 01 OF 02 BONN 04434

E.O. 11652: GDS

TAGS: MASS, PARM, IT, SA, TU, FR, GW

SUBJECT: FRG ARMS SALES: ALLEGATIONS THAT EXPORT
RESTRICTIONS ARE BEING CIRCUMVENTED

REFS: A. BONN 3099 DTG 241757Z FEB 76 (NOTAL)

B. BONN 2474 DTG 121811Z FEB 76 (NOTAL)

BEGIN SUMMARY: A RECENT NEWS MAGAZINE STORY ALLEGES
THAT GERMAN ARMS MANUFACTURERS ARE IN THE PROCESS OF
CIRCUMVENTING THE FRG'S STRICT ARMS EXPORT RESTRICTIONS.
THE CASE IN POINT CITED WAS THE FINAL ASSEMBLY IN ITALY
OF A TANK DESIGNATED THE "LION" WHICH SUPPOSEDLY IS
ULTIMATELY DESTINED FOR THE ARAB WORLD. THE LION IS A
THINLY DISGUISED VERSION OF THE BUNDESWEHR "LEOPARD."
WHILE A FOREIGN OFFICE SOURCE QUESTIONS THE ACCURACY OF
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THE ARTICLE, WE TEND TO BELIEVE THERE MAY BE AN ELEMENT

OF TRUTH IN THE ALLEGATION AND WOULD WELCOME COMMENT FROM OTHER EMBASSIES. END SUMMARY.

1. THE MARCH 15 EDITION OF THE WEEKLY MAGAZINE "DER SPIEGEL" CONTAINS AN ARTICLE WHICH ALLEGES THAT GERMAN TANK-PRODUCING COMPANIES HAVE CUT A DEAL WITH THE FEDERAL GOVERNMENT WHICH PERMITS THEM TO EXPORT TANK PARTS TO ITALY FOR FINAL ASSEMBLY AND ULTIMATE EXPORT, THUS CIRCUMVENTING THE FRG'S STRICT ARMS EXPORT RESTRICTIONS. THE TANK IN QUESTION CARRIES THE DESIGNATION "LION" AND IS PRODUCED BY OTO MELARA IN LA SPEZIA. THE ITALIANS ARE SUPPOSEDLY PROMOTING FOREIGN SALES OF THIS THINLY DISGUISED "LEOPARD" TANK, WITH THE MARKET ASSUMED TO BE THE MIDDLE EAST. OTO MELARA'S SALES BROCHURE SHOWS ARAB SOLDIERS, PALM TREES AND SAND.

2. "SPIEGEL" CHARGES FURTHER THAT THE ITALIANS MANUFACTURE THOSE PARTS OF THE TANK WHICH FALL UNDER THE FRG EXPORT RESTRICTIONS, WHILE THE GERMAN MANUFACTURERS OBTAIN GOVERNMENTAL PERMISSION TO SHIP SUCH TANK COMPONENTS AS MOTORS, TRACKS, BODY, GEAR BOXES AND TRANSMISSIONS. THE ARTICLE POINTS OUT THAT THE ABOVE TANK COMPONENTS ARE PRECISELY THOSE PARTS WHICH MAKE THE LEOPARD A SUPERIOR WEAPONS SYSTEM.

3. OTHER POINTS MADE IN THE ARTICLE INCLUDE THE FOLLOWING:

-- THE FRG IS STILL UNDER PRESSURE, EVEN FROM UNION WORKERS, TO RELAX ARMS EXPORT RESTRICTIONS;

-- FOREIGN MINISTER GENSCHER IS ATTEMPTING TO REDEFINE "AREAS OF TENSION" TO DISTINGUISH BETWEEN AREAS "NEAR" OR "REMOTE" FROM A CONFLICT;

-- GERMAN INDUSTRY PRESSURE FOR A POLICY CHANGE CONTINUES, SINCE LUCRATIVE PROFITS CAN BE MADE IN THE WEAPONS TRADE, PARTICULARLY WITH JOINTLY-PRODUCED WEAPONS SYSTEMS; AND

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-- BONN IS CREATING THE IMPRESSION ABROAD THAT IT IS NOT SERIOUS ABOUT ITS EXPORT RESTRICTIONS.

4. THE ARTICLE CONCLUDES BY NOTING THAT OTHER ARMAMENTS FIRMS WILL NOW TRY TO EMULATE THE TANK PRODUCERS BY SEEKING PARTNERS IN OTHER COUNTRIES. FRANCE AND ITALY

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 04434

ARE SPECIFICALLY MENTIONED AS POSSIBLE LOCALES FOR COOPERATIVE ARRANGEMENTS WITH RHEINSTAHL, MANUFACTURER OF THE ARMORED PERSONNEL CARRIER "MARDER" WHICH THE COMPANY WANTS TO EXPORT TO SAUDI ARABIA (REFTELS). THE MAGAZINE SPECULATES THAT THE SAUDIS MAY YET END UP WITH A FRENCH HYBRID OF THE "MARDER" LABELLED THE "HYENA."

5. IN REACTION TO THE "SPIEGEL" ARTICLE, A FOREIGN OFFICE OFFICIAL INDICATED THAT, IN HIS JUDGMENT, THE AUTHOR HAD BEEN "HASTY" IN PUBLISHING MANY OF THE POINTS. THE OFFICIAL STATED THERE WAS NO TRUTH TO THE ASSERTION THAT FOREIGN MINISTER GENSCHER WAS CONSIDERING A REDEFINITION OF "AREAS OF TENSION" (SEE REF B ALSO). THE

OFFICIAL CONFIRMED THAT THE FRG HAD NOT YET TAKEN A
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FORMAL DECISION ON THE RHEINSTAHL "MARDER" EXPORT APPLICATION, NOTING ALSO THAT THE COMPANY HAD NOT SUBMITTED ANY APPLICATION FOR THE EXPORT OF PARTS TO A SISTER COMPANY IN BELGIUM. (COMMENT: BELGIUM WAS NOT MENTIONED IN THE "SPIEGEL" ARTICLE, ALTHOUGH PREVIOUS NEWSPAPER ARTICLES HAVE ALLUDED TO SUCH A DEAL.) ON THE POINT ABOUT "LION" PRODUCTION IN ITALY FOR EXPORT TO THIRD COUNTRIES, THE OFFICIAL SAID IT WAS THE FRG'S UNDERSTANDING THAT TANKS PRODUCED UNDER LICENSE IN ITALY WERE FOR USE IN THE ITALIAN ARMED FORCES. IF, IN FACT, THE ITALIANS PLANNED TO EXPORT SUCH TANKS, THEN FURTHER CONSULTATION AMONG THE DEFENSE, ECONOMICS, AND FOREIGN MINISTRIES WOULD BE WARRANTED TO DEVELOP A COORDINATED FRG POLICY.

6. COMMENT: "SPIEGEL" HAS A TENDENCY TO STRETCH THE FACTS FOR EFFECT, BUT THERE IS PROBABLY A GRAIN OF TRUTH IN THE STORY DESCRIBED ABOVE. IT IS CLEAR THAT THE FRG STILL HAS NOT DEVELOPED A POLICY ON HOW TO HANDLE THE PROBLEM OF JOINT PRODUCTION VENTURES, AND IT COULD VERY WELL BE THAT THE ARMS MANUFACTURERS, PROBING FOR WEAK SPOTS IN THE EXPORT REGULATIONS, HAVE STOLEN A MARCH ON THE GOVERNMENT GIVEN THE CURRENT POLICY VACUUM. THE EMBASSY WOULD BE INTERESTED IN ANY COMMENTS EMBASSY ROME MIGHT BE ABLE TO PROVIDE ON THE SAGA OF THE "LION".
END COMMENT.
HILLENBRAND

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